

Message Text

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ORIGIN NEA-12

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TO AMEMBASSY TEHRAN

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E.O. 11652: N/A

TAGS: EAGR, ETRD, IR

SUBJ: IRANIAN IMPORTS OF US AGRICULTURAL COMMODITIES

REF: TEHRAN 5206

1. REQUEST FOR ASSURANCES RE PROPOSED COMMODITY SALES AND FINANCE ARRANGEMENTS WORKED OUT BETWEEN USDA AND BANK OMRAN (REFTEL) WAS MADE BY AMBASSADOR ZAHEDI DURING VISIT OF SHAH. AFTER RECEIVING CLARIFICATIONS THRU ECONOMIC MISSION CHIEF AMUZEGAR, WE RESPONDED ORALLY TO IRANIAN EMBASSY AND ECONOMIC MISSION LEAVING WITH EMBASSY INFORMAL SUMMARY OF POINTS WHICH SET OUT BELOW. USDA WILL BE ADVISING BANK OMRAN OF SITUATION BY CABLE SHORTLY.

2. TEXT OF INFORMAL SUMMARY FOLLOWS:

THE PROPOSED SALES PROGRAM WORKED OUT IN JUNE BETWEEN BANK OMRAN AND THE U.S. DEPARTMENT OF AGRICULTURE (USDA) WAS NOT CONSIDERED BY EITHER PARTY TO BE A FINAL AGREEMENT
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BUT RATHER A PROPOSAL SUBJECT TO REVIEW AND REVISION BASED

ON COMMODITY AVAILABILITIES AS DETERMINED FROM SUBSEQUENT CROP REPORTS. IT HAS NOT BEEN POSSIBLE TO APPROVE THESE PROPOSALS BECAUSE OF THE EXTRAORDINARY AGRICULTURAL SITUATION WHICH HAS ARISEN AND THE CONTINUING UNCERTAINTIES WITH REGARD TO DEMAND AND AVAILABILITY OF ALL THE COMMODITIES INCLUDED - WHEAT, SOYBEANS AND PRODUCTS, AND FEED GRAINS.

WITH REGARD TO THE PL 480 COMPONENTS DISCUSSED:

--A CONTRACT FOR DOLS 7 MILLION IN PL 480 TITLE I FUNDS FOR SOYBEAN OIL PURCHASES WAS SIGNED IN DECEMBER 1972, TO COVER SALES DURING FY 1974. THE CONTRACT RECOGNIZES THAT THE COMMODITY MUST BE AVAILABLE IN SURPLUS BEFORE SALES CAN BE COMPLETED. THE SHORTAGES WHICH GAVE RISE TO EXPORT CONTROLS ON SOYBEANS HAVE BLOCKED ANY SALES UNDER PL 480. THESE EXPORT CONTROLS WILL BE REVIEWED IN LIGHT OF PRESENT SOYBEAN CROP ESTIMATES IN SEPTEMBER, BUT WE WILL NOT KNOW UNTIL THEN WHETHER THE CONTROLS WILL EXPIRE OR BE EXTENDED. WE ARE HOPEFUL THAT WE WILL BE ABLE TO CARRY OUT THIS TRANSACTION IN THE LAST HALF OF FY 1974.

--THE PROPOSAL TO FURNISH AN ADDITIONAL DOLS 7 MILLION IN PL 480 FINANCING FOR FEED GRAIN PURCHASES IS ALSO STILL UNDER REVIEW. AT THIS TIME BECAUSE OF THE COMMODITY SUPPLY SITUATION IT DOES NOT SEEM LIKELY THAT THIS PROPOSAL CAN BE APPROVED.

--SIMILARLY THE PROPOSAL TO USE PL 480 PRIVATE TRADE LOAN FUNDS PREVIOUSLY GENERATED BUT UNOBLIGATED TO FINANCE ADDITIONAL WHEAT PURCHASES IS UNLIKELY TO BE APPROVED BECAUSE OF THE COMMODITY SUPPLY SITUATION.

THE PROPOSAL FOR DOLS 35 MILLION IN CCC CREDIT TO FINANCE WHEAT PURCHASES IS STILL UNDECIDED. THE BROAD QUESTION OF U.S. FINANCING OF AGRICULTURAL EXPORTS IN THE CURRENT UNUSUAL AND STILL UNCERTAIN COMMODITY AND PRICE SITUATION IS UNDER REVIEW. IT MAY BE SOME TIME BEFORE ANY DECISION IS REACHED, AND WE CAN GIVE NO ENCOURAGEMENT AT THIS TIME THAT THIS PROPOSAL WILL BE APPROVED.

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WE RECOGNIZE THE DIFFICULTY FOR BANK OMRAH CAUSED BY THESE DELAYS AND WE WILL CONTINUE TO GIVE AS PROMPT AND SYMPATHETIC CONSIDERATION TO THE PROPOSED ARRANGEMENTS AS POSSIBLE. HOWEVER, DECISIONS AFFECTING IRAN CAN ONLY BE MADE IN A GLOBAL CONTEXT. THE PRESENT SITUATION REGARDING COMMODITY PRICES, AVAILABILITY, FOREIGN AND DOMESTIC DEMAND AND OTHER FACTORS IS EXCEEDINGLY COMPLEX. UNFORTUNATELY, WE CAN GIVE NO ASSURANCES OF EITHER EARLY

OR FAVORABLE DECISIONS.

GIVEN THE CONTINUING DELAYS AND UNCERTAIN PROSPECTS
THAT MAY BE EXPECTED AND THE PRESENT HIGH-LEVEL DEMAND
FOR AGRICULTURAL COMMODITIES WE ULD NOT ADVISE BANK
OMRAN TO DELAY COMMERCIAL PURCHASES WHILE AWAITING A DECI-
SION ON THE PROPOSALS. USDA WILL BE RESPONDING DIRECTLY
TO BANK OMRAN'S INQUIRIES VERY SHORTLY. ROGERS

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